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Financial Management Improvement Program      Agency Central Intelligence Agency  
Agency Report as of 30 June 1963      Date 28 June 1963

Part A - Accomplishments and Future Plans

1963 Accomplishments

The main emphasis during 1963 has been on improving and extending the electronic data processing system applications. The more significant accomplishments in this area are:

1. The purchase of the RCA 501 computer; this will result in an estimated net savings in rental of \$1,100,000 during the next ten years, the projected life of the computer.
2. The conversion of all centralized accounting processes to the computer methods, thus, beginning with fiscal year 1964, all centralized accountings and reportings will be compatible and uniform.
3. The beginning of a survey that will result in the preparation of some detailed budget schedules by data processing techniques.
4. The improvement of the content and format of many accounting reports; also, the timing between the end of the reporting period and the date of the report has been shortened for several reports; some reports are on a daily basis.

Other accomplishments in the financial structure include:

1. A revised Agency activities approval system that will provide better financial management controls.
2. A start on the development of a program analysis system. As a first step, a Management Intelligence Center was established to collect, collate, and analyze the information necessary to present the totality

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of the Agency's activities with particular reference to the employment and deployment of its resources. This approach was tested on a few activities in 1963.

Future Plans and Schedule

The overall objective for fiscal year 1964 is a continued concentration on providing better and more timely financial data. The major targets are:

1. A revision of the financial code structure for fiscal year 1965. The revised structure must provide more information, be adaptable to changing program and organizational structures, compatible with other machine codes used for identification and statistical purposes, and be designed to reduce the chances of human error.
2. Completion of the study to apply data processing techniques to the preparation of detailed budget schedules. It is planned to test the data processing program on the fiscal year 1965 operating budgets and fiscal year 1966 estimates.
3. Completion of the organization of the Management Intelligence Center and the extension of its analyses to additional Agency activities.

Part II - Status Information

Organization and/or Accounting Entity (a)	Accounting System			Cost-Based Budgeting Used Internally		Budget Presentation (f)
	Accrual Basis (b)	Approved by Compt. Gen. (c)	Submission for Approval (d)	Used Internally (e)		
Central Intelligence	30 June 1962	See comments under "Remarks" (a)			See comments under "Remarks" (b)	

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Remarks

(a) Because of the CIA Act requirements to protect the security of Agency techniques and activities, the Agency accounting system has not been submitted for review by the General Accounting Office. However, the Agency system complies with the principles and standards established by the GAO.

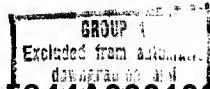
(b) The Agency has developed the basic structure for a cost accounting and internal cost based budgeting system. Since Agency obligations and costs are practically synonymous, the obligation budget, to a large extent, would be synonymous with a cost based budget. However, the Agency is deferring the institution of a total cost based budget system until the Congressional Committees demand cost based budgets. In view of the continued Congressional demands for detailed obligation budgets, it is believed that the Agency financial management efforts in the budget field should be directed towards improving the present modified obligation budget. This approach is being followed to avoid a dual budget workload and the possibility of creating much internal confusion between budgets prepared for legal purposes and budgets prepared for Congressional review purposes.

Part C - Significant Advances Since 1948

The Agency's financial management improvement program was instituted in 1953. Since that time, the following major accomplishments have taken place:

1. Development of integrated accounting and reporting systems -

During the last ten years the Agency's accounting and reporting systems have been developed to provide on an integrated basis the following



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types of timely financial data for management control over resources and operations:

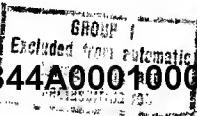
- a. Appropriation accounting including allotment simplification
- b. Accrual accounting including the financial control of inventories and property in use and other Agency assets and liabilities
- c. Cost accounting reflecting the cost of operations, both direct and indirect.

The Agency believes the accounting system developed fulfills the Congressional requirement that, "the accounting of the Government provide ..... adequate information needed in the management of operations and the formulation and execution of the budget, and effective control over income, expenditures, funds, property, and other assets ....".

2. Establishment of a data processing system - Electronic data processing methods are being applied to a wide variety of accounting and statistical activities (payrolls, financial data, employee information, inventory controls, etc.) in a constant endeavor to provide better data for management decisions. The use of electronic means is making it possible to acquire an increasing amount of required data faster, more accurately, and on a more uniform basis. In addition, employees are being freed from data accumulation activities and can concentrate on analysis and evaluation activities.

3. Institution of performance budgeting - This system has provided another dimension to financial analysis. Now all financial requests

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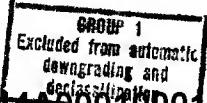
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are reviewed in terms of the program or activity to be accomplished, the organizational unit assigned the responsibility for the program accomplishment, and the individual cost items (salaries, travel, supplies, etc.) required by the organizational unit to carry out its assigned mission. These types of budgeting coupled with the program analysis system being developed will provide a better evaluation of operating needs and results in relation to applicable financial data.

4. Encouragement of training - Realizing that the financial data accumulated and utilized reflects the calibre of the personnel involved, the Agency, as a part of its financial management improvement program, has continually encouraged training and retraining. The scope of financial training activities covers the requirement of academic background for certain types of positions, on the job training, special Agency budget and accounting courses, conferences, and refresher seminars. This approach is designed to improve the efficiency and effectiveness of personnel engaged in financial activities, and provide a working knowledge of financial matters to operating officials who do not require a technical background.

The Agency financial management efforts during the last ten years could be summarized best as an attempt to provide better financial data for better decisions and a desire to create a cost consciousness on the part of all personnel.

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